

Message Text

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ACTION EUR-12

INFO OCT-01 IO-13 ISO-00 AID-05 CEA-01 CIAE-00 COME-00
EB-08 FRB-03 INR-10 NSAE-00 SP-02 STR-07 TRSE-00
LAB-04 SIL-01 OMB-01 EA-10 NEA-11 ICA-11 OPIC-03
AGRE-00 SS-15 OES-07 CEQ-01 EPA-01 DOE-15 SOE-02
AF-10 /154 W

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R 262141Z MAY 78
FM AMEMBASSY BRUSSELS
TO SECSTATE WASHDC 6852
INFO ALL EC CAPITALS
AMEMBASSY MOSCOW
USMISSION USUN NEW YORK

C O N F I D E N T I A L SECTION 01 OF 02 BRUSSELS 10365

USEEC

E.O. 11652: GDS
TAGS: EEC, ETRD, XH
SUBJ: US-EC CONSULTATIONS, MAY 25: EC-CEMA RELATIONS

1. SUMMARY: AT RESTRICTED SESSION ON POLITICAL ISSUES
OVER DINNER AT AMBASSADOR'S RESIDENCE MAY 25, EC-CEMA,
YUGOSLAVIA, AND EC RELATIONS WITH TURKEY WERE COVERED.
THIS TELEGRAM COVERS EC-CEMA, WITH OTHER TWO TOPICS RE-
PORTED SEPTELS.

2. COMMISSION OFFICIALS EXPRESSED THEMSELVES SATISFIED
WITH RESULTS TO DATE OF EC'S CAUTIOUS EXPLORATION OF
BROADENED RELATIONS WITH CEMA AND WITH INDIVIDUAL COUNTRIES
OF EASTERN EUROPE. COMMUNITY CONTINUES TO BELIEVE ANY
FRAMEWORK AGREEMENT WITH CEMA SHOULD BE LIMITED TO SUCH
MATTERS AS EXCHANGE OF ECONOMIC INFORMATION, STATISTICS,
AND INFORMATION ON ENVIRONMENTAL STANDARDS. BEFORE EC WILL
CONCLUDE SUCH AN AGREEMENT, CEMA MUST AGREE TO PERMIT
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"NORMAL BILATERAL RELATIONS" BETWEEN INDIVIDUAL CEMA
COUNTRIES AND THE EC. EC INTENDS TO INSIST ON A TERRITOR-
IAL APPLICABILITY CLAUSE TO INCLUDE BERLIN IN ANY AGREEMENT
THAT MAY EVENTUATE. COMMISSION OFFICIALS EXPECT DIS-
CUSSIONS AND PERHAPS EVENTUAL NEGOTIATIONS WITH CEMA TO
BE PROTRACTED. END SUMMARY.

3. PRESENT FROM THE EC COMMISSION WERE COMMISSIONERS HAFERKAMP AND BRUNNER; SIR ROY DENMAN, DIRECTOR GENERAL FOR EXTERNAL RELATIONS; TICKELL, PRESIDENT JENKINS' CHEF DE CABINET; FROSCHMAIER, HAFERKAMP'S CHEF DE CABINET; AND AMBASSADOR SPAAK, HEAD OF EC COMMISSION OFFICE IN WASHINGTON. ON US SIDE WERE UNDER SECRETARY COOPER; DAS VINE; DAS HORMATS; THE AMBASSADOR; JOHNSTON, EXECUTIVE ASSISTANT TO MR. COOPER; ALBRECHT, EUR/RPE; AND MISSION POLITICAL COUNSELOR.

4. HAFERKAMP GAVE BRIEF BACKGROUND OF THE EC-CEMA EXPLORATORY TALKS TO DATE, AND NOTED THAT HE WILL BE IN MOSCOW NEXT WEEK FOR THE NEXT ROUND (DISCUSSIONS BEGIN MAY 29). HE SAID THAT FOLLOWING THE PRELIMINARY DISCUSSIONS IN BRUSSELS LAST SEPTEMBER, EC HAD BELIEVED THAT ACTUAL NEGOTIATIONS MIGHT BEGIN BY ABOUT MID-1978. HOWEVER, FOLLOWING INTRA-CEMA DISCUSSIONS AT MINISTERIAL LEVEL EARLIER THIS YEAR, IT BECAME APPARENT THAT CEMA WAS NOT YET PREPARED TO OPEN FORMAL NEGOTIATIONS.

5. ACCORDING TO HAFERKAMP, HE AND THE COMMISSION DELEGATION ARE GOING TO MOSCOW IN A RELAXED POSTURE, AND WITHOUT GREAT EXPECTATIONS OF SUBSTANTIAL PROGRESS. HE NOTED THAT CEMA'S MANDATE APPEARS TO BE LIMITED. HE RECALLED THAT THE COMMUNITY'S 1974 OFFER IS STILL ON THE TABLE-- VIZ, THAT THE EC IS PREPARED TO NEGOTIATE FRAMEWORK TRADE

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AGREEMENTS WITH THE INDIVIDUAL CEMA MEMBER STATES AND IS PREPARED TO NEGOTIATE WITH CEMA (THIS OFFER WAS MADE IN NOVEMBER 1976) AN AGREEMENT RELATING TO EXCHANGES OF ECONOMIC INFORMATION, STATISTICS AND INFORMATION ON ENVIRONMENTAL STANDARDS. HE SAID THERE HAS NOT YET BEEN ANY DIRECT REACTION FROM CEMA ON THE SUBSTANCE OF THESE PROPOSALS. INSTEAD, THE INDIVIDUAL CEMA STATES HAVE INCREASINGLY UNDERTAKEN SECTORAL APPROACHES TO THE EC. THIS HAS BEEN PARTICULARLY TRUE OF ROMANIA, WITH WHICH THE EC HAS CONCLUDED TEXTILE AND STEEL AGREEMENTS. HAFERKAMP SAID THAT EXPERT DISCUSSIONS ARE CURRENTLY GOING FORWARD BETWEEN THE EC COMMISSION AND ROMANIA TO SEE WHETHER EC-ROMANIA SECTORAL COOPERATION CAN BE FURTHER EXTENDED. HAFERKAMP ALSO NOTED THAT THE EC HAS RECENTLY CONCLUDED STEEL AGREEMENTS WITH HUNGARY AND CZECHOSLOVAKIA AND IS DISCUSSING STEEL WITH POLAND. HE SAID, HOWEVER, THAT THERE HAS BEEN NO ANSWER FROM ANY OF THE CEMA STATES ON THE EC'S PROPOSAL TO CONCLUDE BROADER TRADE AGREEMENTS.

6. HAFERKAMP SAID THAT UNDER THE FOREGOING CIRCUMSTANCES-- I.E., WITH INDIVIDUAL CEMA MEMBERS LOOKING FOR SECTORAL ARRANGEMENTS WITH THE COMMUNITY--THE EC BELIEVES IT IS

"IN A GOOD POSITION TO BE FIRM WITH CEMA." HE SAID THE EC POSITION WILL CONTINUE TO BE THAT THE COMMISSION IS PREPARED TO NEGOTIATE "WORKING RELATIONS" WITH CEMA CONSISTENT WITH THE RESPECTIVE COMPETENCIES OF THE TWO ORGANIZATIONS. HE CONTINUED THAT EC SEES LITTLE HOPE FOR AN AGREEMENT UNLESS CEMA IS WILLING TO LET THE INDIVIDUAL CEMA COUNTRIES "NORMALIZE" THEIR RELATIONS WITH THE EC. IN RESPONSE TO A QUESTION FROM UNDER SECRETARY COOPER, HAFERKAMP CONFIRMED THAT THE EC IS MAKING ITS WILLINGNESS TO CONCLUDE AN AGREEMENT WITH CEMA CONTINGENT ON CEMA'S WILLINGNESS TO PERMIT INDIVIDUAL CEMA COUNTRIES TO HAVE BILATERAL RELATIONS WITH THE EC. HE SAID THAT THE COMMUNITY'S LINE "CORRESPONDS TO THE THINKING OF SEVERAL CEMA

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C O N F I D E N T I A L SECTION 02 OF 02 BRUSSELS 10365

USEEC

MEMBER STATES."

7. HAFERKAMP SAID HE THINKS THE EC WAS CORRECT IN DECID-
ING TO TRY TO DETERMINE HOW FAR IT IS POSSIBLE TO
NORMALIZE RELATIONS WITH THE COUNTRIES OF EASTERN EUROPE.
HE SAID THAT IMPROVED EC RELATIONS WITH EASTERN EUROPE
SHOULD BE HELPFUL IN AN OVERALL EAST-WEST POLITICAL CON-
TEXT. HE ADDED THAT IN TRYING TO IMPROVE RELATIONS, THE
EC MUST WALK A DELICATE LINE. IT HOPES TO EXPAND THE
NUMBER OF FORA (E.G., GATT AND ELSEWHERE) IN WHICH IT CAN
ENGAGE THE COUNTRIES OF EASTERN EUROPE OUTSIDE CEMA, SINCE

THE EC DOES NOT WISH TO PUSH INDIVIDUAL STATES TOWARD CEMA, THUS STRENGTHENING THE ORGANIZATION. ON THE OTHER HAND, THE EC DOES NOT WANT TO GIVE THE IMPRESSION THAT IT IS WORKING FOR CEMA'S DISINTEGRATION.

8. COMMISSIONER BRUNNER AND ONE OR TWO OTHERS FROM THE COMMISSION SIDE SPECULATED THAT THE SOVIETS HAVE NOT CONFIDENTIAL

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FULLY MADE UP THEIR MINDS ABOUT THE EC'S FUTURE ROLE IN EUROPE AND THE WORLD AND, HAVING SOME CONCERNS ABOUT THE PRESENT DIRECTIONS OF EC ACTIVITY, ARE STILL ENGAGED IN A PROBING OPERATION, BOTH IN THE CEMA TALKS AND THROUGH THE SECTORAL APPROACHES TO THE EC WHICH THE USSR HAS PERMITTED INDIVIDUAL CEMA STATES. BRUNNER SPECULATED THAT THE SOVIETS MUST BE PUZZLED ABOUT THE CONSEQUENCES FOR EUROPEAN INTEGRATION OF DIRECT ELECTIONS TO THE EUROPEAN PARLIAMENT AND THE IMPENDING EC ENLARGEMENT. BRUNNER SAID THAT EVEN THE WEST EUROPEANS DO NOT KNOW WHAT THESE CONSEQUENCES WILL BE. IT IS PERHAPS UNDERSTANDABLE IF THE SOVIETS ARE CONFUSED. HE THOUGHT THEREFORE THAT FOR YET SOME LITTLE TIME THE SOVIETS ARE LIKELY TO PROCEED CAUTIOUSLY WITH THE EC, "PUSHING US AND PROBING US AT LOWER LEVELS IN THE HOPES OF FURTHERING THEIR AIMS, WHILE TRYING TO STAY OUT OF REALLY HOT WATER."

9. BRUNNER ALSO TOUCHED ON THE PROBLEM WHICH THE BERLIN APPLICABILITY CLAUSE IN EC SECTORAL AGREEMENTS HAS POSED FOR THE SOVIETS. IN RESPONSE TO THE AMERICAN SIDE'S QUESTIONS, THE COMMISSION TEAM SAID THEY THINK THAT AN EC-CEMA AGREEMENT MUST CERTAINLY HAVE A TERRITORIAL APPLICABILITY CLAUSE. TICKELL POINTED OUT THAT THE COMMUNITY HAS SUCH A CLAUSE IN ITS AGREEMENT WITH CHINA AND IN ITS TEXTILE AGREEMENT WITH ROMANIA, AND SPECULATED THAT IT WOULD BE "DIFFICULT FOR US TO DO LESS WITH CEMA." THERE WAS GENERAL ASSENT ON THE COMMISSION SIDE.

10. COMMISSION REPS SPECULATED THAT EC-CEMA RELATIONS WILL PROCEED SLOWLY AND CAUTIOUSLY.

11. UNDER SECRETARY COOPER COMMENTED BRIEFLY ON US ECONOMIC AND COMMERCIAL RELATIONS WITH EASTERN EUROPE. CONFIDENTIAL

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HE SAID THAT WHILE THE PATTERN DIFFERS FROM COUNTRY TO COUNTRY THERE REALLY IS NOT A VERY SUBSTANTIAL ECONOMIC

RELATIONSHIP AT PRESENT. THE US STILL APPLIES HIGH
TARIFFS TO PRODUCTS FROM MOST OF EASTERN EUROPE, AND
CONSEQUENTLY THE LATTER COUNTRIES FIND IT HARD TO SELL
IN THE US. MOREOVER, THERE ARE LEGISLATIVE CONSTRAINTS,
WITH THE US CONGRESS HOLDING FIRMLY TO THE VIEW THAT
EASTERN EUROPE'S TRADING PROSPECTS IN THE US SHOULD NOT
BE IMPROVED UNTIL THOSE COUNTRIES ADOPT MORE LIBERAL
EMIGRATION POLICIES. MR. COOPER NOTED THAT THE US HAS
TOLD THE SOVIET UNION THAT THE ADMINISTRATION WOULD
CONSIDER THE POSSIBILITY OF MFN BUT THAT THIS CANNOT BE
DONE SO LONG AS CONGRESS CONSIDERS THE USSR'S EMIGRATION
POLICIES UNACCEPTABLE. HE SAID THAT WE HAVE ALSO TOLD
THE SOVIETS THAT, WHILE THE ADMINISTRATION HAS NOT
ESTABLISHED SUCH LINKAGE, THE CONGRESS IS UNLIKELY TO
TAKE A FAVORABLE VIEW OF LIBERALIZING TRADE WITH THE
SOVIET UNION SO LONG AS THE SOVIETS ARE SO DEEPLY INVOLVED
IN AFRICA. HINTON

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